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COMPANIES BILL 2013 – SALIENT FEATURES

The new Companies Bill 2013 has received the assent of president, on August 29, 2013 and will be effective from APRIL 01, 2013 (retrospectively). The new Companies Bill will replace the six decades old regulations of Companies Act 1956 that governs the companies. The Companies Bill 2013 provides for modification of rules and regulations that governs the companies so far. It mainly focuses on the social welfare and protection of the investors against the fraud committed. Its main aim is to bring transparency in the working of the company. As many new amendments have been made in the Companies Bill 2013, we would provide you with the key changes made in the old Companies Act 1956. Some of the key highlights on the Companies Bill 2013 are:-

- The concept of "One Person Company" has been introduced for the first time.
- Compulsion of e-governance on all compulsory process.
- Mandatory transfer of 2% of average net profit of preceding three years for corporate social responsibility (CSR).
- It says about compulsory internal audit for different class of companies.
- The tenure of appointment of auditors at annual general meeting(AGM) of company has extended to five years, instead of annual appointment /retirement(other than government company)
- In case of listed companies 1/3rd of total no of directors must be "independent directors"
- The Companies Bill 2013 considers manager or managing director or chief executive officer, whole time director, chief financial officer and company secretary as key "managerial personnel".
- It prohibits insider trading of securities.
- The maximum no. of member for private company has increased to 200 from 50.
- National Advisory Committee on Accounting Standards (NACAS) has been renamed has National Financial Reporting Authority (NFRA).
- It also highlights on annual ratification of appointment of auditors.
- There is no ceiling on no. of members/partners as to associations or partnership formed by professionals by special acts.
- It highlights on the appointment of at least one women director in the company.
- The companies bill redefines' the term "subsidiary", "control" and associate "company".
- Under the Companies Bill 2013 statutory status will be conferred upon the Serious Fraud Investigation Office (SFIO).

<u>Salient feature of new law</u>

1. The Act has in total 470 sections across 29 chapters along with 7 schedules. The rules have not been prescribed yet, although major part of act is dependent upon various rules, yet to be prescribed.

2. 33 new definitions have been introduced.

3. New concepts like, one man company, dormant company, class suit, corporate social responsibility, independent directors, faster procedures for holding and subsidiary mergers, merger of Indian company with foreign company, registered valuers, rotation of auditors, introduction of secretarial audits , have been introduced.

4. New limit of no of directors is 15. Earlier it was 12. Under old law if company wanted to increase the number of directors from 12, it had to pass special resolution.

5. Directors will now be able to hold directorship in 20 companies instead of 15. He can't be director in more than 10 Public companies. 1 year has been given as transitional period.

6. Political contribution by companies is also increase to 7.5% of average net profits of preceding 3 financial years from 5% earlier.

7. Director can participate in board meeting through video conferencing.

8. New provision added for corporate social responsibility initiatives by corporate. (a seprate article on CSR can be referred to know more)

9. Rotation of auditors in every 5 years and 10 years for audit firm.

10. New provision related to investigation of fraud introduced

11. E-voting provision have been introduced

12. Now quorum for general meeting will be decided by No of members of company instead of 5 earlier

13. Postal ballot provision shall be applicable to both listed and unlisted companies.

14. Now the permission of central government is not required for giving loan to directors

15. Interested directors can't participate in matter in which he is interested; this is applicable to private companies also.

16. Central government approval is not required if company wants to pay remuneration to directors in excess of specified limits

17. No provision for inspection and Investigation by SEBI

18. Criteria for declaring a company as sick if 50% net worth is eroded has been removed.

19. Specific provision introduced related to fraud

Beyond a doubt, the bill once made law will be very reformative piece of legislation. It will give boost to the corporate governance.